

# **LD 1 PROGRESS REPORT 2009**

## **Executive Summary**

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January 2010

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Our sincere thanks to all those who contributed to the preparation of this report: countless local and county officials who provided data and technical guidance, Kate Dufour (Maine Municipal Association), Jim Rier and Suzan Beaudoin (Maine Department of Education), Michael Allen and David Ledew (Maine Revenue Services), Grant Pennoyer (Maine State Legislature, Office of Fiscal and Program Review), Jeff Breece (University of Southern Maine).

The full report is available online: <http://www.state.me.us/spo/economics/>

Printed under Appropriation # 010 07B 1100 012

## EXECUTIVE SUMMARY

In January 2005, Governor John E. Baldacci signed into law LD 1: An Act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels (Public Law 2005, Chapter 2). The goal of LD 1 is to lower Maine's state and local tax burden ranking to the middle one-third of states by 2015. The State Planning Office (SPO) annually reports on the progress made by the State, counties, municipalities, and school administrative units toward reaching the tax burden reduction goal.

In the first LD 1 report, released in January 2006, the University of Maine's Dr. Todd Gabe stated, "The ultimate success of LD 1 at lowering the tax burden in Maine will be determined, at least in part, by its ability to reduce the growth of state and local government." To assess the progress made by each level of government, we ask two questions: "Are they staying within the LD 1 limit?" and "Are they growing at a slower rate than in pre-LD 1 years?" In answering these questions below, we indicate each level of government's aggregate performance, since the state's tax burden is an aggregate measure. Within the report we discuss findings at the level of individual governmental units.

### *STATE*

**General Fund Appropriations within LD 1 Limit?** Yes ☒ No ☐

**Appropriations Growth Compared to Pre-LD 1 Years** Lower ☒ Higher ☐

For the fifth year in a row, growth of the State's General Fund appropriations has remained below the limit set by LD 1. Based on legislation enacted during the First Regular Session of the 124<sup>th</sup> Legislature (Public Law 2009, Chapter 1), General Fund appropriations in FY2010 were \$213 million (13.2%) below the limit. Overall, appropriations decreased by 3.0% over FY2009, which is well below the 5.4% average annual growth for the ten years prior to LD 1.

### *MUNICIPALITIES*

**Combined Property Tax Levy within LD 1 Limit?** Yes ☒ No ☐

**Combined Tax Levy Growth Compared to Pre-LD 1 Years** Lower ☒ Higher ☐

For a fifth year, municipalities' combined property tax commitments were below their estimated LD 1 limit. Based on preliminary data from Maine Revenue Services (MRS), property tax commitments of all municipalities statewide grew by a rate of 2.5% in 2009, which is well below rates in years before LD 1.

Municipalities operating on calendar year budgets (generally smaller municipalities) showed higher commitment growth (5.2%) than municipalities operating on fiscal year budgets (1.9%). Based on a survey sample of 201 municipalities, 71% of municipalities stayed within their municipal property tax levy growth limit. As with the MRS data, the survey results showed that smaller municipalities had more difficulty staying within LD 1 growth limits. 38% of communities with populations less than 2,500 exceeded their limit, while 15% of larger communities exceeded their limit. In both the MRS data and the survey data, property tax growth in 2009 remained below pre-LD 1 years. In the three years prior to LD 1, annual commitment growth ranged from 5.2% to 7.0%.

### ***SCHOOL ADMINISTRATIVE UNITS***

<b>Combined Expenditures within LD 1 Limit?</b>	<b>Yes</b>	<input type="checkbox"/>	<b>No</b>	<input checked="" type="checkbox"/>
<b>Combined Expenditure Growth Compared to Pre-LD 1 Years</b>	<b>Lower</b>	<input checked="" type="checkbox"/>	<b>Higher</b>	<input type="checkbox"/>

As in previous years, School Administrative Units (SAUs) displayed the most divergence from the expenditure targets set by LD 1. LD 1 uses the Essential Programs and Services (EPS) model of school funding to set targets for the amount of property taxes raised for local education. The LD 1 “limit” for SAUs is 100% of EPS. The percentage of SAUs exceeding their limit stayed about the same (87%) compared to previous years but the amount by which they exceeded EPS decreased from FY2009 to FY2010. SAUs not conforming to the recent school consolidation law (generally smaller communities) exceeded EPS by 15.3%, a greater average margin than the 10.0% average margin for conforming SAUs (generally larger communities). Overall, growth in combined state and local expenditures has slowed to 1.9%, lower than in pre-LD 1 years.

### ***COUNTIES***

<b>Combined Assessments within LD 1 Limit?</b>	<b>Yes</b>	<input checked="" type="checkbox"/>	<b>No</b>	<input type="checkbox"/>
<b>Combined Assessment Growth Compared to Pre-LD 1 Years</b>	<b>Lower</b>	<input checked="" type="checkbox"/>	<b>Higher</b>	<input type="checkbox"/>

Counties stayed within their combined LD 1 limit in 2009. County assessments were \$1.7 million (1.3%) below the limit. Overall, assessments increased 1.7% from 2008, which is well below the 5.4% growth rate seen in 2005 (pre-LD 1) and a sharp decline from the 7.5% growth seen in 2008. The new law unifying state and county correctional facilities and capping county jail assessments at 2008 levels is the primary cause of this reduction in growth. Individually, ten counties stayed within their limits and six surpassed them.